

Message Text

CONFIDENTIAL

PAGE 01 PEKING 00453 180742Z

10

ACTION EA-14

INFO OCT-01 ISO-00 NSC-07 NSCE-00 SS-20 AGR-20 AID-20

EB-11 IO-14 RSC-01 COME-00 TRSE-00 SWF-02 L-03 HEW-08

CIAE-00 INR-10 NSAE-00 DRC-01 /132 W

----- 127333

R 180640Z MAR 74

FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 1516

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 453

E.O. 11652: GDS

TAGS: EAGR, ETRD, CH

SUBJECT: TCK WHEAT SMUT PROBLEM

REF: PEKING 444 AND PREVIOUS

SUMMARY: IN A TOUGH SESSION WITH CARGILL REP LANG ON MARCH 15, THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION REMAINED ADAMANT THAT IT WILL NOT ACCEPT A TCK-CONTAMINATED CARGILL SHIPMENT NOW IN SHANGHAI. END SUMMARY.

1. CARGILL REP JEREMY LANG CALLED ON USLO MARCH 16 TO REPORT ON HIS DISCUSSIONS THE PREVIOUS AFTERNOON (MARCH 15) WITH REPS OF THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORP.,(CEROILFOOD). THE LATTER SESSION HAD BEEN "FREE-SWINGING"

AND ACROMONIOUS AT TIMES, LANG SAID, AND HE EMERGED CONVINCED THAT CEROILFOOD CANNOT BE TALKED OUT OF REJECTING CARGILL'S TCK-CONTAMINATED SHIPMENT NOW IN SHANGHAI, REGARDLESS OF THE IMPLICATIONS OF THIS ACTION FOR FUTURE CARGILL SHIPMENTS TO CHINA.

2. CEROILFOOD'S CHIEF NEGOTIATOR FOR DEALING WITH CARGILL, MR. HSU, OPENED THE MARCH 15 SESSION BY STRESSING THAT UP TO NOW THE CHINESE SIDE HAS BEEN "ACCOMODATING," IN CONTINUING TO ACCEPT TCK-CONTAMINATED SHIPMENTS EVEN AFTER OCTOBER. HOWEVER, HSU SAID, THE DECISION TO REJECT THE CURRENT AND ALL FUTURE TCK-CONTAMINATED

CONFIDENTIAL

PAGE 02 PEKING 00453 180742Z

SHIPMENTS IS NOW IMMUTABLE, AND NO ONE IN CEROILFOOD OR THE

CHINESE QUARANTINE SERVICE OR THE MINISTRY OF FOREIGN TRADE CAN CHANGE THIS DECISION. LANG THEN ASKED WHETHER, SHOULD A USG MISSION COME TO CHINA TO DISCUSS THE PROBLEM, SUCH A MISSION WOULD BE ABLE TO SPEAK WITH "HIGHER AUTHORITIES" ON THE MATTER, HSU REPLIED THAT THERE WAS NO HIGHER AUTHORITY AND THAT CEROILFOOD WAS THE COMPETENT BODY TO DEAL WITH THE PROBLEM.

3. LANG AGAIN PRESSED THE ARGUMENT THAT SHOULD CARGILL ACCEPT REJECTION IN THE CURRENT CASE, THIS COULD ONLY BE ACCOMPANIED BY A DECISION TO SUSPEND ALL FURTHER SHIPMENTS UNDER CONTRACT TO THE PRC. HSU RESPONDED BY REITERATING CEROILFOOD'S POSITION THAT THE US SUPPLIERS ARE CONTRACTUALLY BOUND TO CONTINUE SHIPPING, EVEN THOUGH CEROILFOOD WILL REJECT ANY SHIP FOUND TO HAVE TCK ABOARD.

4. CLEARLY IRRITATED WITH CARGILL'S ARGUMENTS, HSU AND HIS ASSISTANTS THEN WENT ON A TWENTY MINUTE TIRADE CITING CASE AFTER CASE IN WHICH PRC GOODS ENTERING THE US OR EUROPE HAD BEEN REJECTED BECAUSE OF FAILURE TO COMPLY WITH FOOD AND DRUG LAWS, LABELLING REQUIREMENTS, ETC. NOW CARGILL, HSU SAID, WAS ASKING THE PRC TO DISREGARD ITS OWN LAWS FOR PROTECTION OF ITS CONSUMERS AND THIS WAS TOTALLY UNREASONABLE. GOING FURTHER, ONE OF HSU'S SUBORDINATES STATED THAT ONLY "REACTIONARIES" WOULD WANT TO INTRODUCE TCK TO CHINA AND ONLY "FOREIGN REACTIONARIES WOULD WANT TO SHIP IT HERE IN ORDER TO REDUCE PRC WHEAT YIELDS AND THUS INCREASE CHINA'S DEPENDENCE ON FOREIGN GRAIN." "CANADA AND AUSTRALIA DO NOT DO THIS TO US," HE ADDED.

(COMMENT: THIS IS HARSH TALK, BUT LANG HAS BEEN SUBJECTED TO SIMILARLY HOSTILE DIATRIBES AT TOUGH MOMENTS IN PAST NEGOTIATIONS WITH CEROILFOOD, INCLUDING LAST SUMMER WHEN HE NEGOTIATED CARGILL'S FIRST SALE TO THE PRC.)

5. FOLLOWING THE MARCH 15 MEETING, LANG CONCLUDED THAT NO AMOUNT OF ARGUING WOULD CHANGE CEROILFOOD'S TOUGH STANCE WITH REGARD TO THE TCK-CONTAMINATED CARGOES NOW IN PORT AND HE CABLED THIS CONCLUSION TO CARGILL INTERNATIONAL HEADQUARTERS (CARGILL-TRADEX) IN GENEVA.

6. DURING OUR TALK WITH LANG, THE FOLLOWING FURTHER
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PEKING 00453 180742Z

INFORMATION EMERGED:

A. AS WITH DREYFUS (REFTEL), CARGILL HAS OFFERED TO PAY FOR STERILIZATION OF THE CURRENT AND ALL FUTURE TCK-CONTAMINATED SHIPMENTS WHICH ARRIVE IN CHINA. CEROILFOOD HAS FLATLY REJECTED THIS PROPOSAL.

B. A SECOND CARGILL WHEAT SHIPMENT IS NOW IN TSINGTAO (ABOARD

SS IQUALBAKSH) AWAITING UNLOADING. CARGILL DOES NOT KNOW IF IT HAS PASSED QUARANTINE OR WHETHER THE INSPECTION PROCESS HAS EVEN BEGUN. THERE ARE NO RPT NO CARGILL SHIPMENTS NOW ON THE HIGH SEAS BOUND FOR CHINA.

C. CARGILL HAS RECEIVED PAYMENTS FROM THE BANK OF CHINA (BOC) FOR THE TCK-CONTAMINATED SHIPMENT NOW IN SHANGHAI (ABOARD SS LJUBIJA). HOWEVER, CEROILFOOD TOLD LANG IT HAS INSTRUCTED BOC TO WITHHOLD PAYMENT ON THE CARGO ABOARD SS IQUALBAKSH.

D. IN LANG'S PERSONAL OPINION, CEROILFOOD IS NOT CONVINCED THAT USDA'S QUARANTINE SERVICE IS TAKING ADEQUATE MEASURES TO PREVENT TCK FROM GETTING INTO CHINA-BOUND WHEAT SHIPMENTS.

HSU, LANG SAYS, SEEMS TO THINK THAT THE US SIDE OUGHT TO BE ABLE TO FIND A WAY OUT OF THE CURRENT DIFFICULTY AND THIS ONLY STIFFENS CEROILFOOD'S RESOLVE NOT TO COMPROMISE.

E. LANG EXPECTS CEROILFOOD TO HOLD US SUPPLIERS RESPONSIBLE FOR DEMURRAGE COSTS FOR DELAYS IN UNLOADING ANY GRAIN FOUND TO HAVE TCK, REGARDLESS OF WHETHER SUCH DELAYS ARE ACTUALLY DUE TO THE TCK PROBLEM. LANG NOTES THAT CARGILL SHIPS OFTEN WAIT AS LONG AS 30 DAYS BEFORE BEING BERTHED, AND ONLY THEN DOES THE INSPECTION PROCESS FOR TCK BEGIN. NEVERTHELESS, LANG WILL NOT BE SURPRISED IF CEROILFOOD SEEKS TO BLAME ANY AND ALL UNLOADING DELAYS ON THE TCK PROBLEM WHENEVER IT OCCURS.

7. NEW DEVELOPMENTS FOLLOW SEPTTEL. JENKINS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, FOOD CONTAMINATION, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PEKING00453
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740335/aaaabgkxk.tel
Line Count: 138
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: PEKING 444 AND PREVIOUS
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUN 2002 by kelleyw0>; APPROVED <31 JAN 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TCK WHEAT SMUT PROBLEM
TAGS: EAGR, ETRD, CH
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005